

Assembly Hearing Slip

(please print plainly)

Date: 3.7.02

Bill No. 2001 Assembly Bill

Or 840

Subject

Name NATALIE BACK

Street Address or Route Number 6000 W Washington Ave

City, State, ZIP Code MADISON WI 53703

E-Mail Address NLB@AlexandriaCompany.com

Organization You Represent The Alexandria Company Inc

Speaking in Favor: ☒

Speaking Against: ☐

Registering in Favor: ☐

Registering Against: ☐

Speaking for Information Only,
neither for nor against: ☐

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Assembly Sergeant at Arms
<http://www.assemblysergeant.com>

Assembly Hearing Slip

(please print plainly)

Date: 3-7-02

Bill No. 840

Or

Subject

Name Rich Arnesen

Street Address or Route Number 147 S. Butler St.

City, State, ZIP Code MADISON WI 53703

E-Mail Address rbarnes@stonehousedevelopment.com

Organization You Represent Stone House Development

Speaking in Favor: ☒

Speaking Against: ☐

Registering in Favor: ☐

Registering Against: ☐

Speaking for Information Only,
neither for nor against: ☐

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Assembly Hearing Slip

(please print plainly)

Date: 3/8/02

Bill No. 840

Or Historic Preservation

Subject Tax Credits

Name Tim Andersen

Street Address or Route Number 4435 E. Main Street

City, State, ZIP Code MADISON WI 53703

E-Mail Address timandersen@sca-madison.com

Organization You Represent Down Town Action Wisconsin in Downtown

Speaking in Favor: ☒

Speaking Against: ☐

Registering in Favor: ☐

Registering Against: ☐

Speaking for Information Only,
neither for nor against: ☐

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Assembly Hearing Slip

(please print plainly)

Date: 3.7.02
Bill No. AB 840
Or
Subject _____

Name Donald M. Aucutt

Street Address or Route Number 413 Jackson St

City, State, ZIP Code Sauk City WI 53583

E-Mail Address donjohn@chorus.net

Organization You Represent Wisconsin Association of
Historic Preservation Commissioners

Speaking in Favor: ☐
Speaking Against: ☐
Registering in Favor: ☒
Registering Against: ☐
Speaking for Information Only,
neither for nor against: ☐

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Assembly Hearing Slip

(please print plainly)

Date: 3-6-02
Bill No. AB 840
Or
Subject _____

Name Rep. Dan Schooff

Street Address or Route Number 457th District

City, State, ZIP Code _____

E-Mail Address _____

Organization You Represent _____

Speaking in Favor: ☒
Speaking Against: ☐
Registering in Favor: ☐
Registering Against: ☐
Speaking for Information Only,
neither for nor against: ☐

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Assembly Hearing Slip

(please print plainly)

Date: March 7, 2002
Bill No. 840
Or
Subject _____

Name Alicia Goehring

Street Address or Route Number 816 State St.

City, State, ZIP Code Madison, WI 53706

E-Mail Address agoehring@whswisc.edu

Organization You Represent Wisconsin Historical Society

Speaking in Favor: ☒
Speaking Against: ☐
Registering in Favor: ☐
Registering Against: ☐
Speaking for Information Only,
neither for nor against: ☐

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Assembly Hearing Slip

(please print plainly)

Date: 3/7/02

Bill No. AB 840

Or

Subject Jim Sewell

Name 5650 Lacy

Street Address or Route Number FITCHBURG

City, State, ZIP Code

E-Mail Address

Organization You Represent WISCONSIN HIST. SOC.

Speaking in Favor: ☒

Speaking Against: ☐

Registering in Favor: ☐

Registering Against: ☐

Speaking for Information Only,
neither for nor against: ☐

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Assembly Hearing Slip

(please print plainly)

Date: 3/7/02

Bill No. 840

Or

Subject Deborah Hankel

Name 816 State Street

Street Address or Route Number MADISON, WI 53706

City, State, ZIP Code

E-Mail Address dhankel@whs.wisc.edu

Organization You Represent Wisconsin Historical Society

Speaking in Favor: ☐

Speaking Against: ☐

Registering in Favor: ☒

Registering Against: ☐

Speaking for Information Only,
neither for nor against: ☐

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Assembly Hearing Slip

(please print plainly)

Date: 3/7/02

Bill No. 840

Or

Subject Brian McCormick

Name 407 N. BREARLY

Street Address or Route Number MADISON WI 53706

City, State, ZIP Code

E-Mail Address brmccormick@whs.wisc.edu

Organization You Represent Wisconsin Historical Society

Speaking in Favor: ☐

Speaking Against: ☐

Registering in Favor: ☒

Registering Against: ☐

Speaking for Information Only,
neither for nor against: ☐

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Assembly Hearing Slip

(please print plainly)

Date: 03-07-02

Bill No. AB840

Or

Subject Sen. Brian Burke

Name

Street Address or Route Number

Milwaukee

City, State, ZIP Code

E-Mail Address

3rd Senate district

Organization You Represent

Speaking in Favor: ☐
Speaking Against: ☐
Registering in Favor: ☒
Registering Against: ☐
Speaking for Information Only,
neither for nor against: ☐

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Assembly Hearing Slip

(please print plainly)

Date: 3/7/02

Bill No. AB 840

Or

Subject Shawn Grace

Wisconsin Trust for Historic

Preservation

Name

23 N. Rackney St. Ste 445

Street Address or Route Number

Madison, WI 53703

City, State, ZIP Code

E-Mail Address

Organization You Represent

Speaking in Favor: ☐
Speaking Against: ☐
Registering in Favor: ☒
Registering Against: ☐
Speaking for Information Only,
neither for nor against: ☐

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Assembly Hearing Slip

(please print plainly)

Date: 3.7.02

Bill No. AB 840

Or

Subject Tom Omada

Name

Street Address or Route Number

City, State, ZIP Code

E-Mail Address

Organization You Represent

Speaking in Favor: ☐
Speaking Against: ☐
Registering in Favor: ☐
Registering Against: ☐
Speaking for Information Only,
neither for nor against: ☒

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Assembly Hearing Slip

(please print plainly)

Date: 3.7.02

Bill No. 840

Or
Subject _____

Jim Busse
Name

5012 MAYWOOD RD
Street Address or Route Number

MONONA WI
City, State, ZIP Code

jandlbusse@yahoo.com
E-Mail Address

Gorman & Co.
Organization You Represent

Speaking in Favor:

☒ IF TIME

Speaking Against:

☐

Registering in Favor:

☒

Registering Against:

☐

Speaking for Information Only,
neither for nor against:

☐

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Provided by:
Assembly Sergeant at Arms
<http://www.assemblysergeant.com>



147 S. Butler Street
Madison, Wisconsin 53703
Voice: 608-251-6000
Fax: 608-251-6077

March 7, 2002

Public Hearing Comments
Assembly Bill 840

Introduction

Stone House Development, Inc. is a Madison based real estate development and property management company that specializes in the adaptive re-use of historic structures. In the last 6 years, Stone House Development, Inc. has completed 5 adaptive re-use projects and has just begun a sixth. All of these projects have used the Section 42 affordable housing credit in conjunction with the state and federal historic credit.

Assembly Bill 840 will have a profound effect on the viability of future adaptive re-use projects as detailed below.

Section 5. 71.07 (9m) (a) 2. and additional sections (increasing the state credit to 20%)

Due to escalating costs, it is becoming increasingly difficult to underwrite adaptive re-use projects in a financially feasible manner. This is especially true in small to medium sized communities where rents have not increased much in the last 5 to 10 years. An increase in the state credit to 20% will dramatically improve the financial feasibility of these projects. We have been involved in several projects in the last few years that fell through due to an inability to cover the cost of renovation. These historic structures have been demolished or are now facing demolition.

Section 8. 71.07 (9m) (g) and additional sections ("bifurcation" of the state credit)

The primary financing structure of adaptive re-use projects in Wisconsin involves the combination of the Section 42 affordable housing credit and the state and federal historic credit. The market for the Section 42 affordable housing credits is quite large and, when combined with the federal historic credit, can make a very attractive project for corporate investors. However, very few of these investors are Wisconsin based, and, as such, have little or no Wisconsin income tax liability. As a result, corporate investors will pay little or nothing for the Wisconsin state historic credit which can, and often does, compromise the overall feasibility of a project. The ability to separate the state credit would allow it to be marketed directly to local and regional corporations at a much higher price per credit, thereby dramatically increasing the amount of equity in each project.

Testimony to the Committee on Housing of the Wisconsin State Assembly
Representative Tom Sykora, Chair
Assembly Bill 840
March 7, 2002

Good morning! Alicia Goehring is my name and I am the Administrator of the Division of Historic Preservation at the Wisconsin Historical Society. I'm here today to testify that the Society strongly supports Assembly Bill 840.

The Society wholeheartedly endorses this bill for several reasons. First, the two historic rehabilitation tax credit programs we administer have been highly successful. During the last five years, these programs have aided over 800 projects and stimulated over \$275 million of reinvestment in Wisconsin's older business and neighborhood districts. The programs have been used to stabilize and revitalize districts all over the state from neighborhood business districts in Milwaukee to the residential districts of Rock County to the Main Street of Stevens Point. We believe that programs that have a proven track record of success should try to seek the resources needed to expand in order to create an even larger impact in the future.

Second, the Society is impressed by how historic rehabilitation tax credit programs throughout the country have proven to be tremendous economic development tools. As documented by Donovan Rypkema, a leading historic real estate economics specialist "historic preservation creates jobs" and "creates more jobs than the same amount of new construction." Using information from the U.S. Department of Commerce, Rypkema has shown that historic rehabilitation creates more jobs, dollar for dollar, than does manufacturing cars in Michigan, growing agricultural products in South Dakota, or cutting timber in Oregon. Furthermore, Rypkema illustrates how rehabilitation results in a larger increase in household income and generates more dollars in local retail sales than new construction. A study in Rhode Island indicates \$10 million in rehabilitation expenditures creates 285 jobs in the state including 129 construction jobs, 51 professional positions, and 23 manufacturing jobs.

According to former Philadelphia Mayor Edward G. Rendell, rehabilitation pumps dollars back into the economy. He indicates that "while a \$1 million rehabilitation expenditure would cost

the Treasury \$200,000 in lost tax revenues, it would at the same time generate an estimated \$779,478 in wages. Taxed at 28 percent, the investment would produce \$218,254 in federal tax revenue. Corporate income, capital gains, and real estate taxes would further complement gains in household income tax.” Based on these figures, it’s easy to see why historic rehabilitation incentive programs are popular when there is a desire to stimulate the economy. In fact, cities have found historic rehabilitation to often be a counter-cyclical activity. A study in Boston concludes that since rehabilitation is more affordable than new construction during hard economic times, it generates more building activity during these economic downturns.

Third, the Society supports this bill because it would generate income for the program to help pay for itself. The fees outlined in the bill would help in three ways. The fees would replace federal dollars that will expire this spring. These dollars have paid for one of our full-time preservation specialists during the past year. The fees would also help pay for staff that will be needed due to the increase in business we anticipate if the tax credit percentages increase. Third, the fees will help replace GPR dollars lost in the current fiscal year that help to pay the salaries of the other two employees who staff these programs. This fee structure establishes a partnership between the taxpayer and the property owner. Citizens of Wisconsin benefit from historic rehabilitation tax credit programs because they stimulate the economy and make our neighborhoods more livable, our business districts more attractive, and our communities more cost efficient. Property owners or developers benefit from the programs because the programs make their projects economically viable. This bill spreads the cost of the program between the two partners who benefit, the citizens and the property owners.

Fourth, the bill would allow owners of small historic properties, often located in Wisconsin’s smaller communities, the ability to tap into the income producing tax credit program. Currently, it is very difficult for these property owners to meet the adjusted basis requirement in the current law. This bill would allow property owners to apply for only the 20% state tax credit if they did not meet this requirement. This change would in essence make this economic development tool accessible for the first time to many downtown property owners on our Main Streets throughout the state.

Fifth, staff at the Society has become concerned in the past few years that Wisconsin has lost its competitive edge in the rehabilitation of large historic buildings. These projects compete on a national market. At one time, we were on the leading edge of this arena but now we are starting to lag behind states such as Missouri, Michigan, Iowa, Maryland, and North Dakota which all have an add-on state credit of at least 25% compared to Wisconsin's current 5% add-on tax credit. What does this mean? If a developer from Minneapolis is looking at a \$25 million rehab project in Milwaukee and a \$25 million rehab project in St. Louis, he or she will naturally look closer at the project in St. Louis because it has a \$5 million tax credit advantage. Worse yet, we stand to lose Wisconsin development and finance dollars to other states because of this growing disparity between state tax credit programs.

Sixth, we naturally support this bill because we believe it will stimulate the rehabilitation of more historic buildings throughout the state. It is our Division of Historic Preservation's mission to work in conjunction with organizations, individuals, and units of government to identify, preserve, and protect historic properties. This bill will help us fulfill our mission.

Finally, the Wisconsin Historical Society supports this bill because our constituents have asked for an improved historic rehabilitation tax credit program. In the year 2000, we developed a strategic plan to help guide us through the next five years. Using a survey, several focus groups, and a large brainstorming session, we asked our constituents what types of projects or issues they wanted us to focus on during this five-year period. Over 700 people responded. Improvement of the tax credit programs ranked very high on their priority list. Indeed, the survey results showed this issue was at the top of their list. We have a clear mandate from our constituents to support any bill that improves these programs.

In closing, I'd like to thank you for the opportunity to express the Wisconsin Historical Society's support of Assembly Bill 840. Thank you.

Problem Kanner / Purchase

Post purchase Detrimental effects

P. 6 & Bm

103.09 (1m)

venting out property

5 year implementation of Preserve
majority not 2/3 to opt out.

Problems

Education of Buyers

Statutory Rescues - long term repairs

~~Need~~ Legal

City Atty Milwaukee

Nuisance Abatement

Close Condos - evicted tenants

Protection

Guidance

Self - Government - Need tools &
The Bill does that

2 suggestions

1) One the Assoc. not individual

823.015 Newark-Lang. "IF"

2) ...

Alexander Company

Smart Growth

More
Labor Intensive

Stone House Development

Medium Band Value

Investment

Leveraging key element

34 or 5 sources of financing

Leveraging against
each other.

Do you think
we're there?

Alternative min tax

investor cannot shield
their income to avoid
taxes.

200m loss There is a
218m gain

Garman & co Bourse

debt Apts.

historic

Shed to Mills.

Preservation & Catalyst for
Communities

Allows new Communities to be
included.

5% Supplement

Reapprove

10000 Investment

will get the 5% ~~in~~ w/1

Credit

Historic Homes

1000 Homes

200 2001

Fee

3 to 2 w/10 Fed &
State

Implement this Fee to keep 3 State

Seuell

Brian McCormick

Denver Article.

1) Program income producer
Nat L Park Service

2) WI House owner Relates
own Residence

3) 20% Tax Credit Nat Park Ser.

Rules

Public Bldg must
maintain historic relevance

Current Value of Property + Same Investment
Amount

This is ~~an~~ a high
Standard

Historical Society. Cont.

Owner + Developer are beneficiaries
then Pay part of Costs

Small Main st Business
will take advantage of
Tax Credit for 1st time

Competitive Bldg

no	no	25%
no	no	add on tax
no	no	credit.

Historical Competition ?

Historical Society

800 Projects

275 Million

Neighborhood BIZ districts

Beloit

Ren. Stevens pt.

Expand for larger impact

Namawell

Donovan Ritten (SP)

more jobs than new construction

60/1 million 200000 tax rev.

218,000 Fed Tax Revenue

Income for pgm to help pay

Replace fed \$ expiring in May
Preservation Specialist

Increase State tax credit for
Rehabs.

20% Fed tax credit - Current

5% State Current

leader in Midwest

Other Spots have exceeded us.

Strict interior standards.

- Historical Society

→ Sales tax

→ Jobs

Competitive process

→

Examples of Historic Preservation Projects in Wisconsin

Program: State and Federal Tax Credits for Income-Producing Historic Buildings.

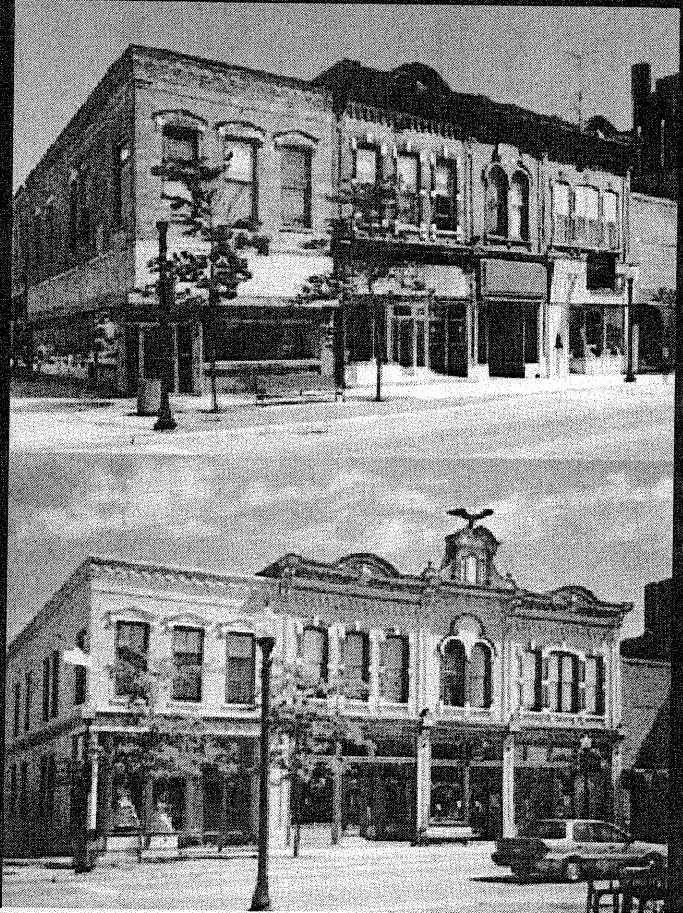
Imig Block, Sheboygan

Project investment: \$777,790

Uses: retail, offices, one apartment

The City of Sheboygan helped the Imig Block's three owners to combine CDBG funds with rehabilitation tax credits to save this historic downtown building. Work included restoring second floor windows and chemically removing paint from the original cream brick masonry. A new, historically appropriate multi-color paint scheme for the wood and metal trim blends well with the brickwork.

The project architects designed sympathetic new storefronts and recreated an elaborate cornice. The source of the design was a historic photograph that showed the realistic eagle cresting. The eagle, with its wings spread wide, now looks down on passersby just as it did when the building was completed in 1882.

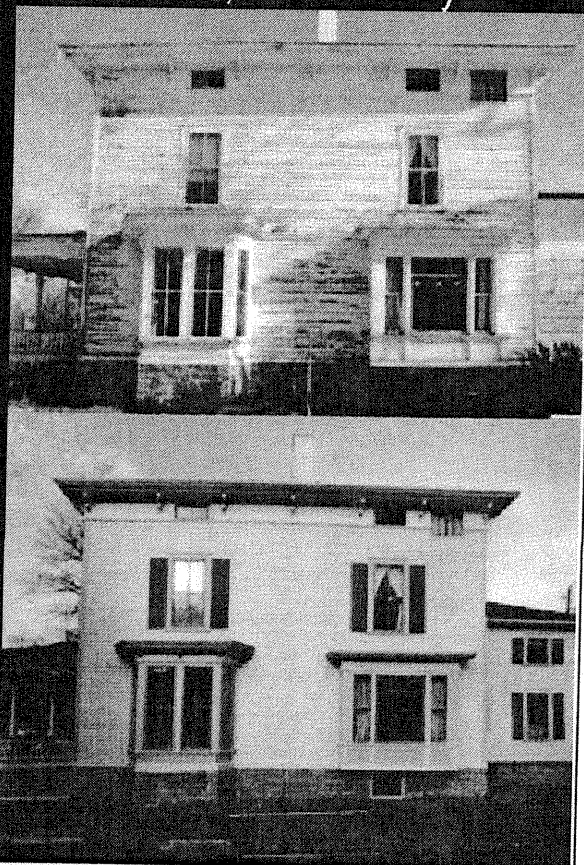


Program: Wisconsin Historic Homeowners Tax Credit.

Astor Historic District: 843 S. Monroe Avenue, Green Bay

Investment in eligible work: \$35,000

This is one of numerous properties in the Astor Historic District that have been restored and stabilized using the Wisconsin Historic Homeowners Tax Credit program. Although, visually, it is similar to its pre-project appearance, the owner carried out major structural work, tuckpointing, mechanical repairs, porch repair, and exterior painting.



Program: State and Federal Tax Credits for Income-Producing Historic Buildings.

Weyenberg Shoe Manufacturing Company, Beaver Dam

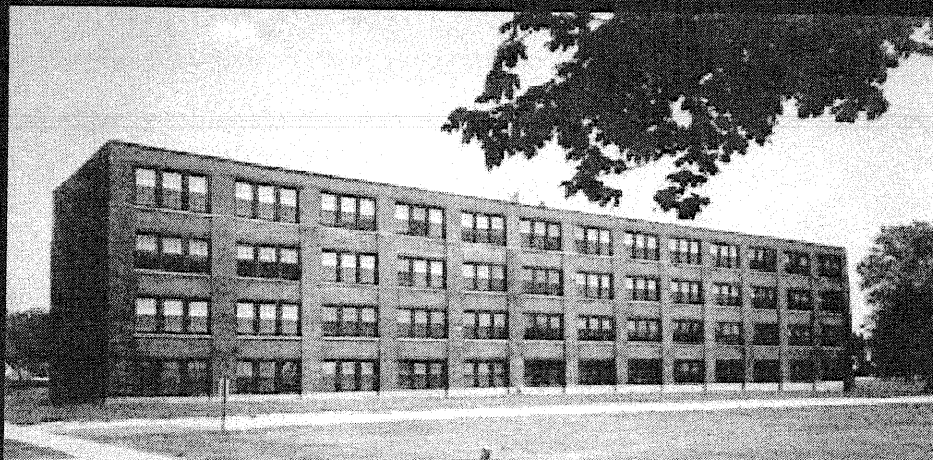
Project investment:

\$4,325,000

New housing units: 50

Low/moderate income
units: 35

Built in 1919, the Weyenberg Shoe Manufacturing Company building was abandoned by the company in 1999. Stone House Development of Madison bought the building and converted it to apartments.



The building incorporates a number of the attributes of a typical factory. These features made the interior attractive for conversion to loft apartments, providing the "industrial chic" of bright daylight, high ceilings, and exposed brick and wood structure.

Most of the units at "The Shoe Factory Apartments" are reserved for low-to-moderate income tenants. As part of its financial package, Stone House Development used both the Historic Preservation Tax Credit and the Affordable Housing Tax Credit available through WHEDA to encourage the development of affordable multifamily rental housing in Wisconsin.



Program: State and Federal Tax Credits for Income-Producing Historic Buildings.

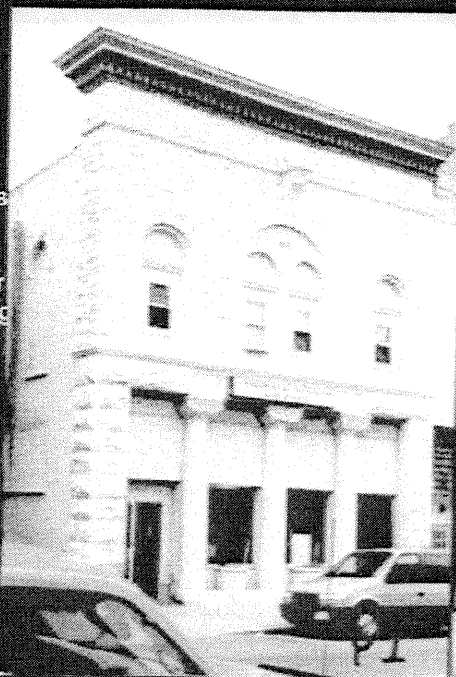
First National Bank, Chippewa Falls

Project investment: \$128,659

Uses: 5400 sq. ft. retail and offices

This historic bank was designed in the Romanesque Revival Style to convey solidity and security. However, before Don Pulver of Chippewa Falls began his restoration, some of the building's character had been undermined by later remodelings. The building had been painted white and the prism glass transoms had been boarded over.

Mr. Pulver cleaned paint from the rough cut stone and exposed the prism glass. Historic windows and doors were reproduced using old photographs. The building is now used as a jewelry store.



Federal and state income tax credits were crucial in making this project feasible.

This project received a "Best Restoration" award from Wisconsin Main Street Program.

Examples of Historic Preservation Projects in Wisconsin

Program: State and Federal Tax Credits for Income-Producing Historic Buildings.

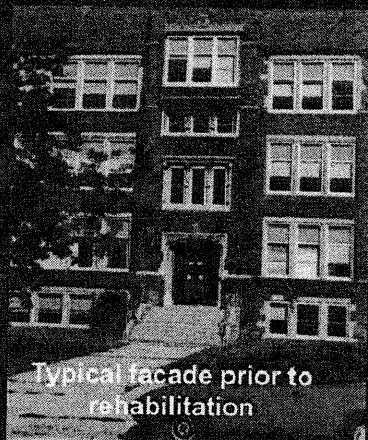
Janesville High School, 408 S. Main Street

Project investment: \$5,325,000

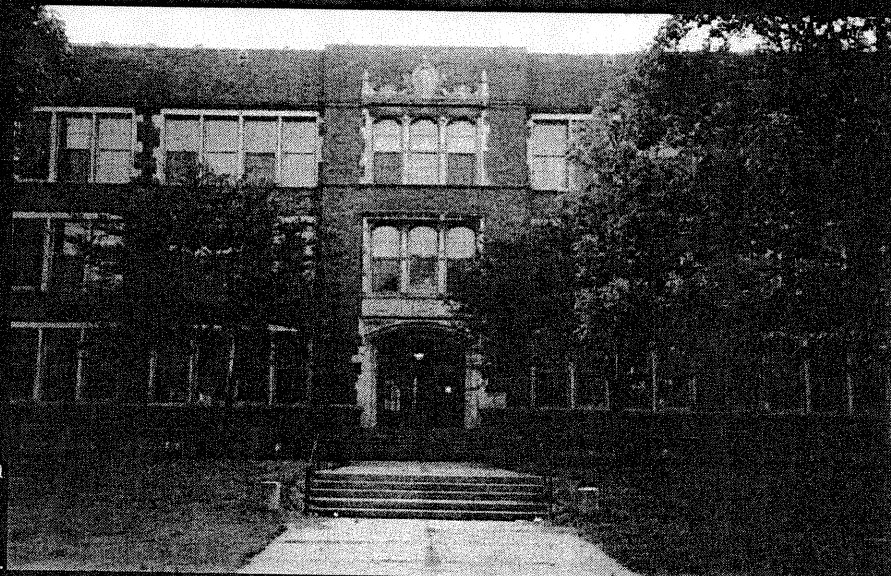
Total new housing units: 55

Low/moderate income units: 32

Future additional use: Civic Theater



Typical facade prior to rehabilitation



Construction of Janesville High School began in 1919 as part of a successful plan to bring General Motors to the city. It was abandoned by the district in 1997.

Shortly thereafter, using rehabilitation tax credits and affordable housing tax credits, Stone House Development rehabilitated the school into apartments. Ordinarily, schools can be converted to apartments rather seamlessly, since the building layout and classroom sizes work well for residential use. Janesville High, however, contained a special challenge: a large, lavishly appointed assembly hall. Future plans include converting the hall to Janesville's Civic Center. One of the more visible work items was replacement of the later, green infill panels with new multi-light windows based on the original construction drawings.

Program: Wisconsin Historic Homeowners Tax Credit

Robert M. LaFollette House Maple Bluff

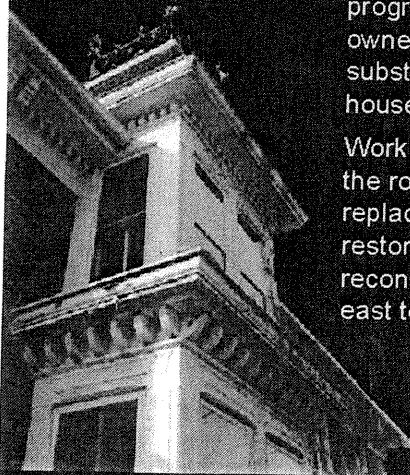
Investment in eligible work: \$165,000

Additional work: \$64,000

In recent years, this National Historic Landmark suffered from lack of maintenance and inherent flaws in its design.

The historic homeowners tax credit program enabled the owners to stabilize and substantially restore the house.

Work included repair of the roof structure, roof replacement, masonry restoration, and reconstruction of the east tower.



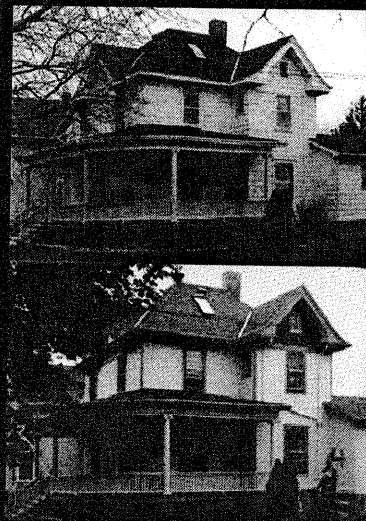
Examples of Historic Preservation Projects in Wisconsin

Program: Wisconsin Historic Homeowners Tax Credit.

Evansville Historic District: 20 Garfield Avenue

Investment in eligible work: \$56,000

Located in the Evansville Historic District, this house had been covered with artificial siding and the large front porch was on the verge of collapse. The historic homeowners tax credit enabled the owners to remove the artificial siding, restore the original siding, and accurately restore the porch. This exemplary effort led to a resurgence of restoration work in the Evansville Historic District.



Program: State and Federal Tax Credits for Income-Producing Historic Buildings.

Paul Jules Saloon

112-114 S. Broadway, Green Bay

Project investment: \$325,175

Use: 6870 Sq. ft. Retail and offices

The Paul Jules Saloon is one of the oldest buildings in the Broadway-Walnut Historic District. The saloon building had been neglected and poorly treated over the years and its rehabilitation was truly a case of the public and private sectors joining together to make the project a success.

Revitalization efforts were coordinated by Wisconsin Main Street Program. The Green Bay Chamber of Commerce took an active role in finding a developer and a private funding source. Preservation tax credits were an important part of the development package.

The project re-opened windows that had been blocked-down and restored the storefronts and interiors. It now houses a coffee shop, a hair salon, an interior design firm, and a marketing communication firm.



Examples of Historic Preservation Projects in Wisconsin

Program: State and Federal Tax Credits for Income-Producing Historic Buildings.

Hausmann and Schoeer Buildings, 1740 and 1750 N. D., Martin Luther King Jr. Blvd., Milwaukee

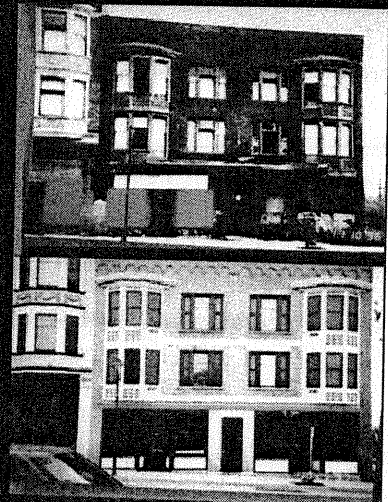


Project investment: \$2,889,555
New housing units: 23
Low/moderate income units: 14
Other uses: 4000 sq. ft. commercial

Located in Milwaukee's Brewers Hill neighborhood, these buildings stood vacant for ten years and were condemned for four years prior to their rescue.

The Hausmann Building was once the location of Curly's Bar, notorious for receiving more police calls than any other site in the city. The City of Milwaukee's Redevelopment Authority took ownership of the two buildings prior to their redevelopment. It was the City's recognition of the buildings' importance that saved them.

The city issued an RFP for their rehabilitation, and awarded the project to Firststar Community Investment Corporation, which used a combination of historic preservation tax credits and affordable housing credits. The buildings are now an attractive presence in the Brewers Hill Historic District, providing affordable housing and commercial space to the neighborhood.



Program: State and Federal Tax Credits for Income-Producing Historic Buildings.

Altpeter and Jung Building

1801 N. Martin Luther King Blvd., Milwaukee

Project investment: \$1,122,000
Total new housing units: 8
Other uses: office and retail

Located near the Hausmann and Schoeer Building, the Altpeter and Jung Buildings illustrate how the preservation tax credit program is restoring the historic character and commercial viability of this part of Martin Luther King Boulevard. Nearby, there are seven or eight additional rehabilitation projects that have used, or are using, the preservation tax credit program. The program's high restoration standards ensure a quality project, which is reflected in the gradual improvement in the overall appearance of the streetscape.



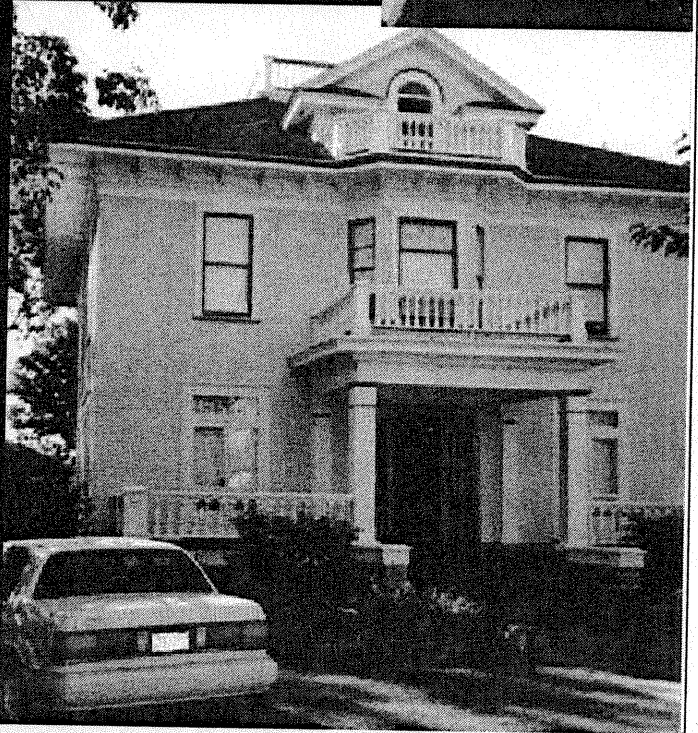
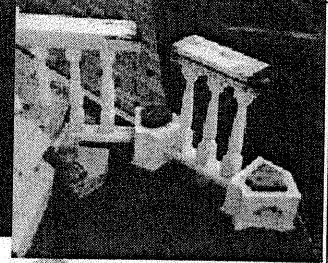
Examples of Historic Preservation Projects in Wisconsin

Program: Wisconsin Historic Homeowners Tax Credit

Wahle-Laird House, Marshfield

Built in 1904, this house is historically significant as the home of Melvin Laird, former Wisconsin Congressman and Secretary of Defense in the Richard Nixon administration during the Vietnam War. In recent years, the house was faithfully restored by the Laird family, which still owns the property. Among the many items of work assisted by the tax credit program are foundation repair, stone repointing, and extensive repair of wooden features, particularly the decorative balcony railings.

Investment in tax credit-eligible work: \$23,375
Additional investment: \$1,800



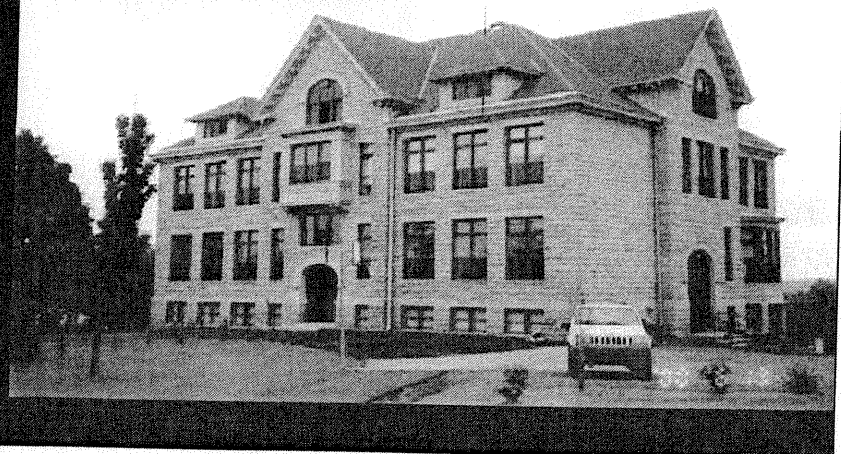
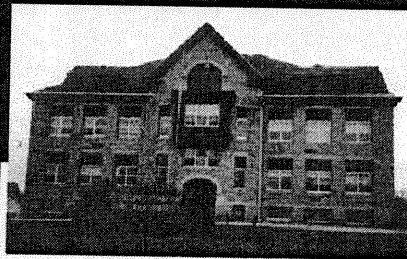
Program: State and Federal Tax Credits for Income-Producing Historic Buildings.

Mineral Point High School

Project investment: \$980,000
Total new housing units: 11
Low/moderate income units: 6

Built in 1903, this building served the young people of Mineral Point for decades. When the school district abandoned the building, Stone House Development purchased and sensitively converted it to apartments using preservation tax credits combined with affordable housing credits, much as it had done to similar schools in New Glarus, Janesville and Jefferson.

The historic character of the school is still evident, despite its conversion. Most lockers are still in place in the original wide corridors. Blackboards have been retained as functional wall treatments. Stone House replaced the blocked-down windows with new ones, based on historic photographs. The firm says that their schoolhouse apartments are easy to rent: the special character of a historic building gives the apartments a real competitive advantage.



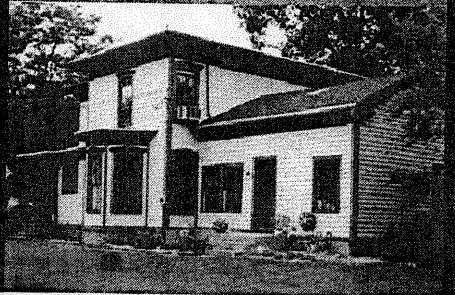
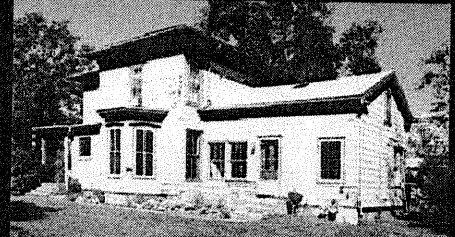
Examples of Historic Preservation Projects in Wisconsin

Program: Wisconsin Historic Homeowners Tax Credit

Bluff Street Historic District: 729 Bluff Street, Beloit

Investment in tax credit-eligible work: \$30,000

This 1858 Italianate house, was one of the earliest homeowners tax credit projects. Prior to the start of work, this prominent house was in extremely poor condition. Investment included major structural work, as well as extensive interior and exterior rehabilitation.



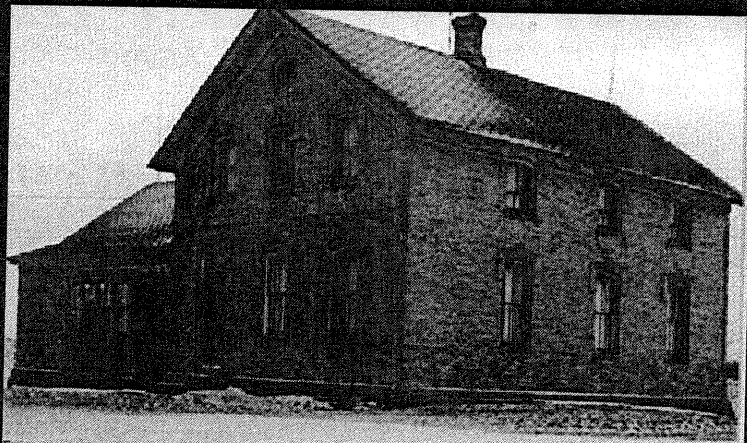
Program: Wisconsin Historic Homeowners Tax Credit

George Halada Farmstead, Luxemburg

Investment in tax credit-eligible work: \$60,000
Additional investment: \$22,300

Built in 1878, this historic farmstead was given new life through the historic homeowners tax credit program. Tax-credit eligible work included major masonry repair, roof replacement, furnace replacement, and plumbing. In addition, the owners carried out major interior repairs designed to make the house habitable after years of neglect.

After rehabilitation, the property was formally listed in the State and National Registers of Historic Places.



Examples of projects that did *not* qualify for Preservation Tax Credits

Dos Gringos Mexican Restaurant, Ripon

The owners of this historic Italianate building won a Wisconsin Main Street award for their restoration work. They opened up blocked down windows, both at the second floor and at the storefront, and restored the building to its original appearance. On the interior, ceilings were restored to their original height to create the new restaurant space. While the owners spent \$37,000 on the rehabilitation of the their building, it was not enough to qualify for the preservation tax credits under the current statutes.



They were able to complete the work only with support from the Main Street Program. Many more of these smaller project would likely be stimulated with the proposed changes to the statutes.

Van Dyke Knitting Company 2100-2102 W. Pierce, Milwaukee

This old factory is ripe for adaptive reuse. Its conversion to housing could provide many affordable and market rate apartments. However, Gorman and Company, which has successfully developed a number of historic properties, tried, but was unable to make the project work financially.



Changes to the statutes that would allow out of state investors to sell their credits would have generated more equity and brought them closer to making the project work. The proposed additional tax credits could have made the project viable

Examples of projects that did *not* qualify for Preservation Tax Credits

Richmond Gifts and Engraving, Two Rivers

Another Main Street award winner. The owners of this building managed to make a big difference in its appearance with only a little over \$11,000 invested in its restoration.

The new, more open storefront is not only more historically appropriate, it is also certain to be good for business.



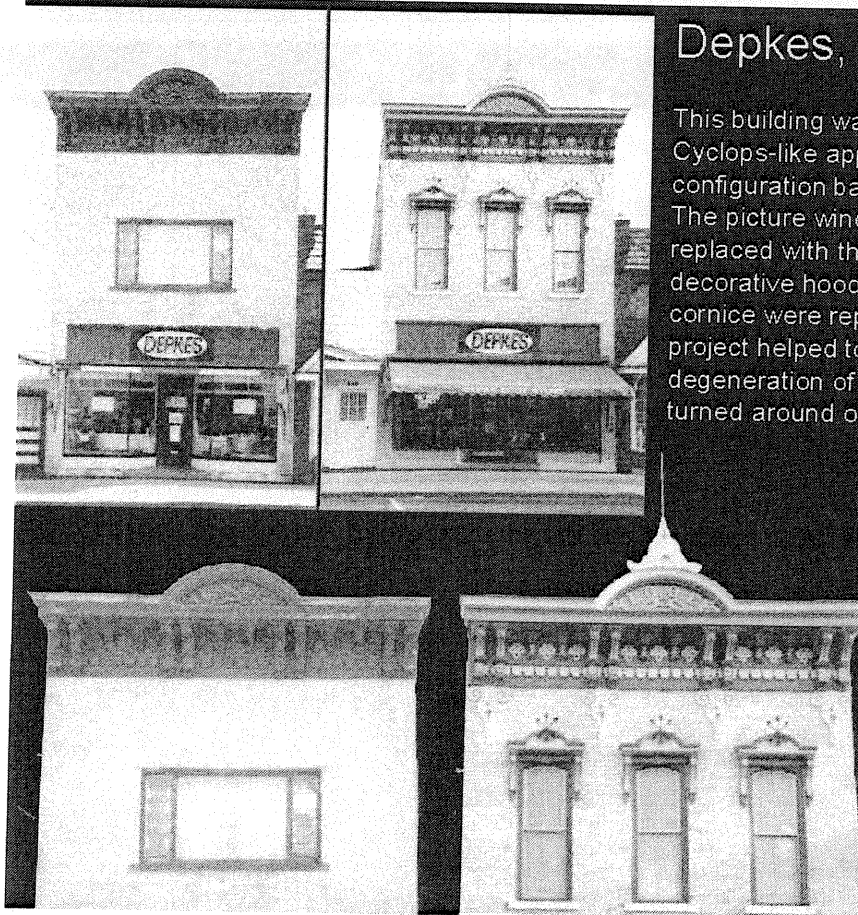
The proposed statute changes would allow building owners with smaller projects like this to qualify for the tax credits and would encourage investment by business owners in Wisconsin's historic downtowns.

Depkes, Sheboygan Falls

This building was restored from its altered, Cyclops-like appearance to its early 1900 configuration based on historic photographs. The picture window was removed and replaced with three double-hung windows with decorative hoods. Missing elements of the cornice were replicated and installed. This project helped to demonstrate how the degeneration of historic downtowns can be turned around one building at a time.

The \$25,000 spent in restoring the façade did not meet the "substantial rehabilitation" requirements in the current IRS regulations, so the owner was unable to qualify for a federal or state tax credit.

Proposed changes in the statutes would allow future owners to qualify for the state supplemental credit.

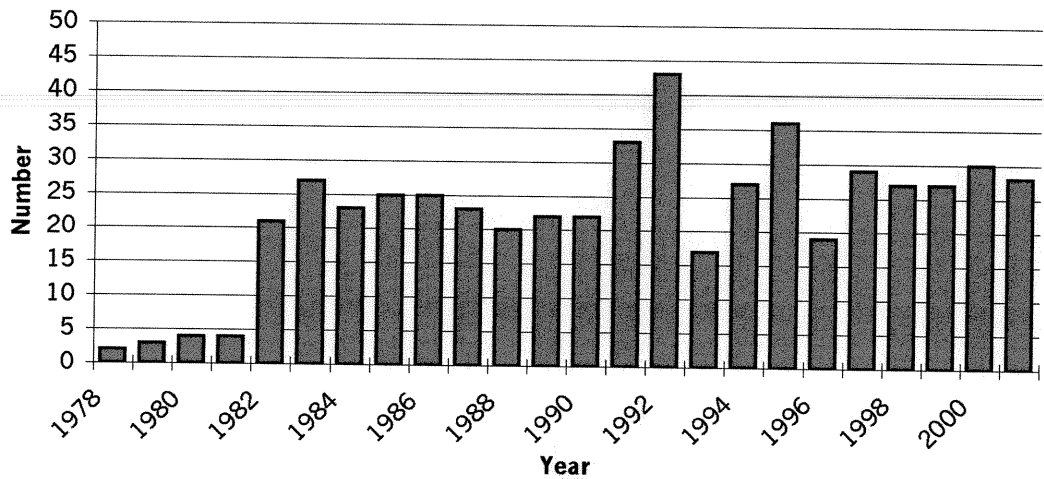


FEDERAL 20% AND 25% TAX CREDITS FOR INCOME PRODUCING PROPERTIES

No. of Projects

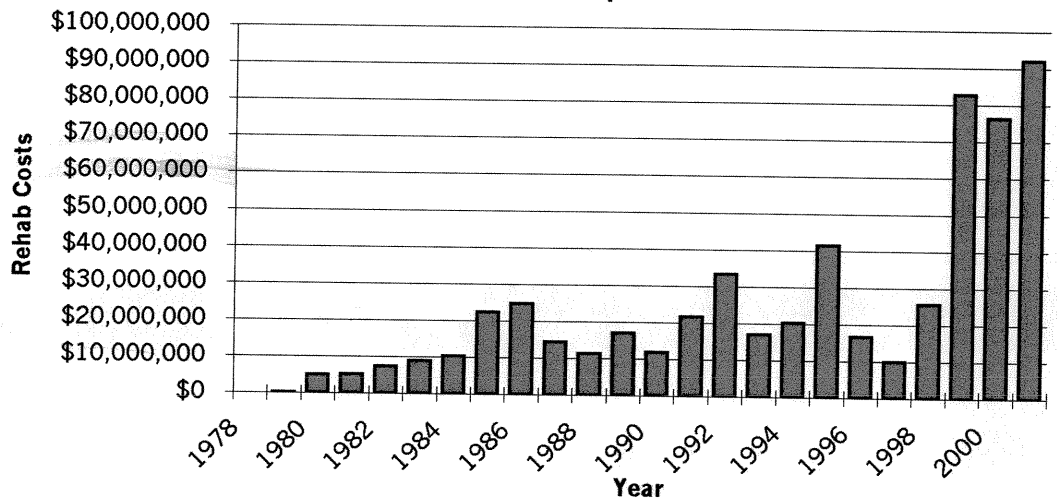
1978	2
1979	3
1980	4
1981	4
1982	21
1983	27
1984	23
1985	25
1986	25
1987	23
1988	20
1989	22
1990	22
1991	33
1992	43
1993	17
1994	27
1995	36
1996	19
1997	29
1998	27
1999	27
2000	30
2001	28

Federal 20 and 25% Tax Projects Per Year



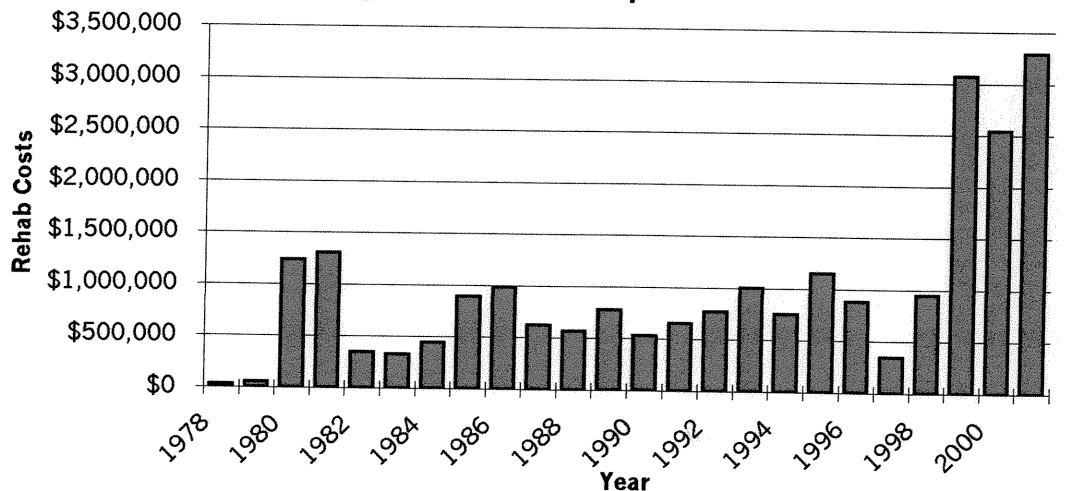
1978	\$67,000
1979	\$160,000
1980	\$4,945,000
1981	\$5,225,992
1982	\$7,371,960
1983	\$8,911,565
1984	\$10,318,470
1985	\$22,320,330
1986	\$24,716,523
1987	\$14,433,907
1988	\$11,409,584
1989	\$17,124,013
1990	\$11,799,092
1991	\$21,736,950
1992	\$33,307,600
1993	\$17,122,541
1994	\$20,336,512
1995	\$41,539,500
1996	\$16,732,275
1997	\$10,046,734
1998	\$25,625,038
1999	\$82,851,439
2000	\$76,360,500
2001	\$92,087,318

Total Rehabilitation Expenditures



1978	\$33,500
1979	\$53,333
1980	\$1,236,250
1981	\$1,306,498
1982	\$351,046
1983	\$330,058
1984	\$448,629
1985	\$892,813
1986	\$988,661
1987	\$627,561
1988	\$570,479
1989	\$778,364
1990	\$536,322
1991	\$658,695
1992	\$774,595
1993	\$1,007,208
1994	\$753,204
1995	\$1,153,875
1996	\$880,646
1997	\$346,439
1998	\$949,075
1999	\$3,068,572
2000	\$2,545,350
2001	\$3,288,833

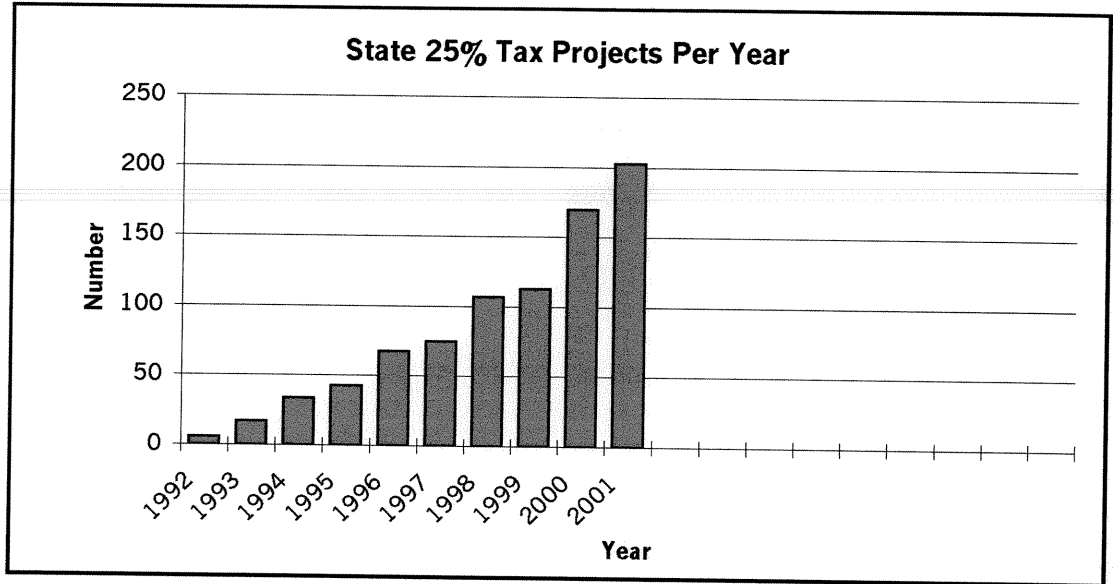
Average Rehabilitation Expenditures



STATE 25% TAX CREDITS FOR OWNER-OCCUPIED HISTORIC RESIDENCES

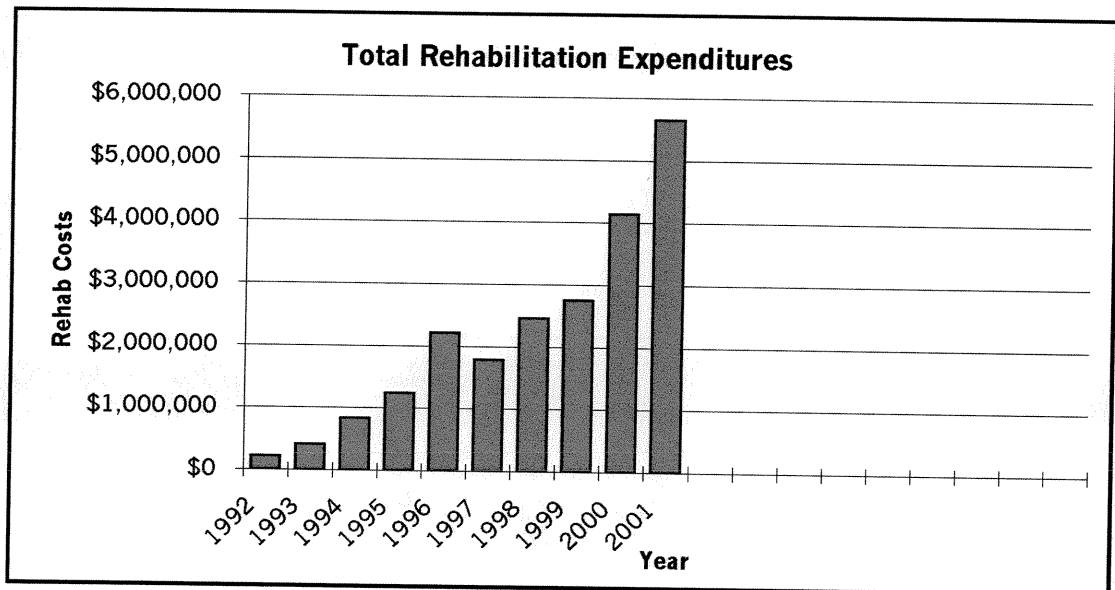
No. of Projects

1992	6
1993	17
1994	34
1995	43
1996	68
1997	75
1998	107
1999	113
2000	170
2001	203



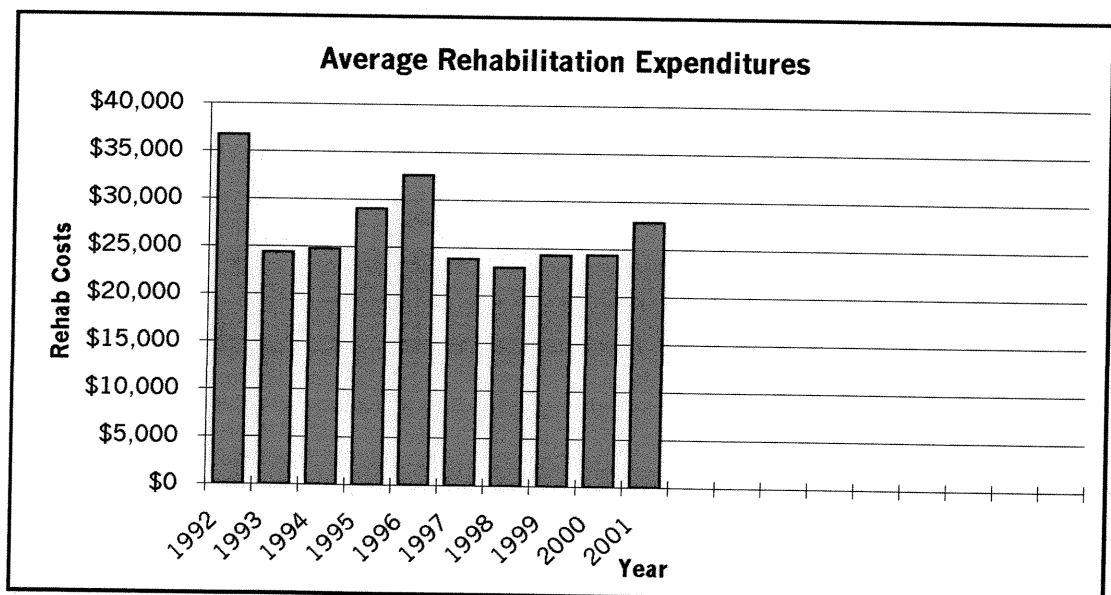
Total Rehab \$

1992	\$220,581
1993	\$415,110
1994	\$842,978
1995	\$1,250,000
1996	\$2,216,889
1997	\$1,791,000
1998	\$2,459,750
1999	\$2,752,678
2000	\$4,147,149
2001	\$5,657,663



Avg. Rehab \$

1992	\$36,764
1993	\$24,418
1994	\$24,793
1995	\$29,070
1996	\$32,601
1997	\$23,880
1998	\$22,988
1999	\$24,360
2000	\$24,395
2001	\$27,870



Testimony to the Wisconsin State Assembly

**Committee on Housing,
Representative Tom Sykora, chairperson**

March 7, 2002

re: 2001 ASSEMBLY BILL 840

(Changes in the Wisconsin historic
homeowners tax credit program and the state
supplement to the federal historic
rehabilitation tax credit)

James A. Sewell
Senior Preservation Architect
Division of Historic Preservation
Wisconsin Historical Society
816 State Street
Madison, Wisconsin

Good morning Representative Sykora and members of the Committee on Housing. My name is Jim Sewell and I am the Senior Preservation Architect in the Division of Historic Preservation of the Wisconsin Historical Society. I come here today with my fellow architect, Brian McCormick, who will not testify, but will join me in answering any questions that you might have about the proposed legislation. Between us, we have nearly 40 years of experience in administering historic preservation tax credit programs on behalf of the Society.

I support Assembly Bill 840 and, with your permission, will provide background information about the improvements that are being proposed.

At the heart of this legislation are two programs that the Wisconsin Historical Society administers: the first is a state and federal tax credit program for rehabilitation of income-producing historic buildings, and the second is a tax credit program to assist owners in the rehabilitation of their historic homes. Together, these programs have resulted in the revitalization of hundreds of historic buildings. Attached to your copies of my testimony is summary information and case studies to illustrate the programs both quantitatively and qualitatively.

Income-producing historic buildings. The nation-wide program for income-producing historic provides a 20% federal income tax credit for substantial rehabilitation work. The Wisconsin Historical Society administers the program in Wisconsin and it is overseen at the federal level by the National Park Service.

There are a number of federal rules, such as those that ensure that tax credit-assisted rehabilitation does not harm a building's historical significance. These rules also require that a building owner spend a "substantial" amount of money -- at least as much as the current, depreciated value of the building -- before the owner can take *any* tax credit. This so-called "substantial rehabilitation requirement" is at the heart of the legislation now before you and we'll need to revisit it after I've explained more about Wisconsin's supplement.

Since 1981, this program has rehabilitated nearly 550 income-producing historic buildings in Wisconsin and has resulted in more than \$600 million in tax-credit-eligible rehabilitation work.

Last year alone, Wisconsin's program generated \$71 million in construction projects and resulted in more than \$14 million in federal tax dollars returning to Wisconsin in the form of income tax credits.

Key to the program's success has been a 5% state supplement that owners can receive if they wait until their projects are approved before beginning construction. At its passage in 1987, it was a unique state-based incentive and its results were impressive. Over the past 15 years, Wisconsin's has been one of the most successful programs in the nation, ranking through most of the 1990s as one of the top 6 states in the nation in the numbers of projects produced.

The Wisconsin supplement helped to entice owners into investing in their historic buildings -- and it helped to persuade investors to focus on Wisconsin properties, rather than those in neighboring states. In recent years, other states have enacted their own incentive programs and some Wisconsin investors now seek out projects elsewhere. Last year, Wisconsin had fallen to 17th place in the number of rehabilitation projects. As other states implement and increase their supplements, Wisconsin is likely to capture fewer and fewer investment dollars.

Assembly Bill 840 will help to correct and reverse this downward trend and will fortify the program in the following ways:

First, it will increase the percentage of the state supplement from 5% to 20% in order to increase investment in Wisconsin's historic properties. Not only will this attract more investment capital to the rehabilitation of historic buildings, but it should help to keep Wisconsin investment dollars in-state. Ultimately, it will increase the number of historic buildings that are rehabilitated and returned to active economic use.

Second, AB 840 lowers the minimum investment requirement for owners to receive the state supplement - in effect, allowing an owner's to receive the supplement without having to meet the very-high, federal "substantial rehabilitation requirement." Owners who spend a minimum of \$10,000 on their historic income-producing buildings will be eligible to receive the state 20% credit. This will benefit owners who cannot meet the high minimum investment requirement of the federal

program, such as most owners of historic Main Street buildings and people who have recently purchased their historic buildings.

Historic Homes. The Wisconsin Historical Society also administers a program of tax credits for rehabilitation of historic homes. This is a state-based program that, to date, has assisted \$25 million in construction work on nearly 1000 historic homes throughout Wisconsin. Last year alone, the Division approved more than 200 projects and \$5.6 million in eligible rehabilitation costs. This program has had a profound effect, particularly on the quality of life in Wisconsin's historic residential districts.

Assembly Bill 840 will increase the amount of the credit from 25% to 30%, in part to increase participation in the program and, in part, to help pay for the cost of administering it.

Administrative fees. This last point applies to both programs and needs reinforcing. One of the problems in carrying out these types of programs is that, once they catch on, they take a great deal of staff time to administer. And, because we are dealing with peoples' tax liabilities and, in some cases, their very livelihoods, after a point, there is no way to streamline the process without jeopardizing our constituency. The two imperatives of this program are that these public subsidies be used to perform exemplary work on historic properties and that we produce documents and procedures that owners and investors can use to claim a tax credit without peril.

The historic homeowners tax credit program has gone from 6 projects a year in 1992 to more than 200 approvals in 2001. At this point, we have more than 500 active projects, each requiring some level of attention. The income-producing program has remained rather steady with about 25 new projects each year and about 100 active projects; however, if this legislation is enacted, those numbers could rise considerably. At the present time, we have 3 full-time employees working in this program. By the end of May, because of a decrease in our federal funding component, there will be only two.

An important component of this legislation is the ability of the Wisconsin Historical Society to charge reasonable fees for its review of tax credit projects. These would help to offset the costs of administering the projects and would allow the Society to tailor the staff time to the number of

projects that we actually administer. In other words, staff time devoted to the program would be directly proportional to the number of projects that we receive.

Other components. Assembly Bill 840 contains two other important provisions, both of which I support. Time does not allow lengthy discussion, so I will touch on them briefly.

The first is a provision that allows out of state investors to sell state tax credits to Wisconsin residents. This is closely related to the provisions of Assembly Bill 624, which allowed transfer of credits between partners and which we feel is very important in attracting out-of-state money for the rehabilitation of Wisconsin buildings.

The second is the exemption of the historic homeowners tax credit from the Wisconsin Alternative Minimum Tax. The AMT was imposed by the state and federal government in the mid-1980's to prevent wealthy taxpayers from abusing tax shelters. Because of the way that the AMT is calculated as a percentage of income, numerous homeowners have forfeited their credits. Investment in the repair of one's own home was not the intent of the legislature in creating this requirement and we ask that homeowners be exempted.

I hope that this discussion gives you a better understanding of the legislation before you today and, for the reasons that I've given, the Architectural Services section of the Division of Historic Preservation enthusiastically supports Assembly Bill 840.

Thank you for the opportunity to address the Committee on Housing. I and Mr. McCormick are available to answer any questions that you might have.